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WEINBERGER DRUG STORES, INC.

— 2400 Superior Avenue —

CLEVELAND, OHIO

March 24, 1942.

To the Stockholders of
Weinberger Drug Stores, Inc.:

Your Board of Directors declared a current quarterly dividend of twelve and one-half cents a share on the Company's outstanding 90,000 shares of stock as against the twenty-five cents per quarter which has for some time past been declared on its shares.

Following is a statement of operations for the first eight months of our fiscal year and we desire to explain to our stockholders the reasons and purposes of this reduction in the rate of dividend.

The Company's per share earnings available for dividends, after taxes per year for the last five years were as follows:

Year Ending	Number of Shares	Per-Share Earnings	Per-Share Dividend Declared
June 30, 1937	80,000	3.04	1.90
June 30, 1938	80,000	1.51	1.60
June 30, 1939	80,000	1.27	.50
June 30, 1940	80,000	1.59	.75
June 30, 1941	90,000	1.78	1.00

Profits after taxes for the eight months' period ended February 28, 1942, amounted to $137,560.55 compared to $128,030.17 for the similar period ended February 28, 1941. Thus increasing sales have produced $9,530.38 more profit despite increased costs of operations and taxes. Federal income and excess profits taxes alone have increased from the provision of $43,900.00 for the eight months ended February 28, 1941 to the estimated provision of $110,040.00 for the similar period ended February 28, 1942.

In order to protect our customers in so far as possible, we have been compelled to purchase merchandise further ahead than usual and to carry such merchandise in our warehouses for much longer periods than has been customary. As an example, we have already bought much of our next Christmas merchandise.

At June 30, 1937, the Company had thirty-seven stores, $984,182.51 of merchandise inventory, and $480,419.98 of equipment and fixtures, before provision for depreciation and amortization. At February 28, 1942, it had forty-three stores, $1,551,308.91 of inventory, and $915,754.88 of fixtures before provision for depreciation and amortization. This expansion has been financed out of earnings and bank loans, except to the extent of $80,406.05, the proceeds from the sale of 10,000 shares of stock in 1940.

Prior to Pearl Harbor, the Company distributed to its stockholders a substantial part of its earnings and applied the balance to the cost of its steady expansion and the reduction of bank loans incurred to finance this cost temporarily.

While it is probable that the old dividend rate could have been continued and the bank loans finally paid off out of the balance of the earnings, the directors feel in these uncertain times that more of the Company's earnings should be made available and applied to the earlier reduction of these loans. The interests of the Company and its stockholders demand that it be kept in a sound financial condition and that its present high credit rating be maintained.

Dividends are, of course, important to all stockholders, but under the existing conditions mentioned above we hope that our stockholders will agree with the Board of Directors that their interests are better served and the value of their investment better protected by applying temporarily a larger percentage of the Company's earnings to the payment of its borrowings.

Very truly yours,
A. WEINBERGER
President

CONSOLIDATED BALANCE SHEET

WEINBERGER DRUG STORES, INC., AND SUBSIDIARY

February 28, 1942

ASSETS

CURRENT ASSETS		
Cash on hand and demand deposits	$ 300,178.24	
Trade accounts receivable	32,547.70	
Tax stamps—state	8,984.08	
Inventories—at lower of cost or market	1,551,308.91	$ 1,893,018.93
OTHER ASSETS		42,387.10
FIXED ASSETS		
Furniture and fixtures etc., and leasehold improvements—at cost	$ 915,754.88	
Less reserves for depreciation and amortization	425,689.54	490,065.34
PATENTS AND TRADE-MARKS		1.00
DEFERRED CHARGES		46,356.37
		$2,471,828.74

LIABILITIES, CAPITAL STOCK AND SURPLUS

CURRENT LIABILITIES		
Notes payable to bank (including portion of long term debt maturing prior to February 28, 1943)	$ 260,000.00	
Accounts payable	343,150.81	
Accrued taxes (other than taxes on income)	20,054.69	
Federal taxes on income—estimated:		
Taxes on income of eight months ended February 28, 1942	110,040.00	
Taxes applicable to year ended June 30, 1941	38,441.64	$ 771,687.14
LONG TERM DEBT		
Note payable to bank—maturing $5,000.00 monthly—last payment due July 1, 1946	$ 260,000.00	
Less portion classified as current liability	60,000.00	200,000.00
RESERVE FOR GENERAL CONTINGENCIES		50,000.00
CAPITAL STOCK AND SURPLUS		
Capital stock—without par value:		
Authorized 100,000 shares; outstanding 90,000 shares		
Stated capital	$ 639,670.00	
Surplus:		
Capital surplus	$ 135,815.44	
Earned surplus	674,656.16	810,471.60
		1,450,141.60
		$ 2,471,828.74

Note A—In connection with note payable to bank, the Company has deposited as collateral security therefor insurance policies, on the lives of its President and Vice President, in the aggregate amounts of $128,449.00 and $62,500.00 respectively.

Note B—The management of the Company has no knowledge of any contingent liabilities other than pending suits and claims for personal injury as to which, considering the nature of such cases and the amounts involved, the proceedings will not, in the opinion of the management of the Company, result in any losses of a material amount to the Company and its subsidiary.

CONSOLIDATED PROFIT AND LOSS AND SURPLUS

WEINBERGER DRUG STORES, INC., AND SUBSIDIARY

Eight Months Ended February 28, 1942

CONSOLIDATED PROFIT AND LOSS SUMMARY

Gross profit		$ 1,601,559.13
Selling, general and administrative expenses		1,346,048.17
OPERATING PROFIT		$ 255,510.96
Other income		10,798.36
		$ 266,309.32
Other deductions		18,708.77
PROFIT BEFORE FEDERAL TAXES ON INCOME		$ 247,600.55
Federal taxes on income:		
Provision for the period—estimated:		
Normal income and surtax	$ 61,240.00	
Excess profits tax	48,800.00	110,040.00
NET PROFIT		$ 137,560.55

CONSOLIDATED SURPLUS

CAPITAL SURPLUS			
Balance at July 1, 1941, and February 28, 1942 No change during period			$ 135,815.44
EARNED SURPLUS			
Balance at July 1, 1941		$ 582,095.61	
Net profit for period of eight months ended February 28, 1942		137,560.55	
		$ 719,656.16	
Cash dividends:			
$.25 a share paid October 1, 1941	$ 22,500.00		
.25 a share paid January 2, 1942	22,500.00	45,000.00	
BALANCE AT FEBRUARY 28, 1942			674,656.16
TOTAL SURPLUS AT FEBRUARY 28, 1942			$ 810,471.60

C. W. Evans, Secretary of Weinberger Drug Stores, Inc., hereby certifies, that in his opinion the accompanying balance sheet and related summaries of profit and loss and surplus present fairly the consolidated position of Weinberger Drug Stores, Inc., and its subsidiary at February 28, 1942, and the consolidated results of their operations for the period of eight months then ended, in conformity with generally accepted accounting principles applied on a consistent basis.